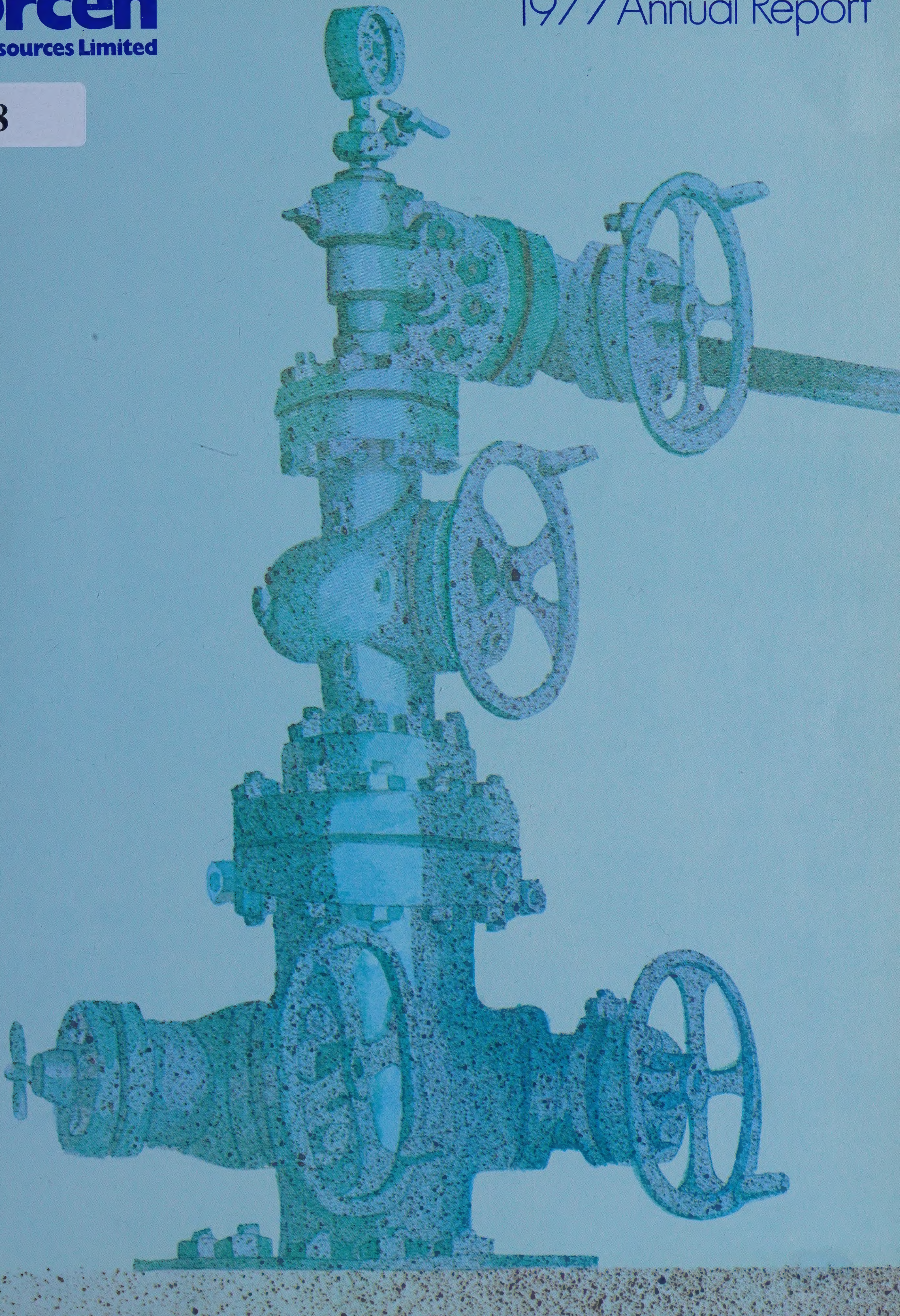
Norcen
Energy Resources Limited

1977 Annual Report



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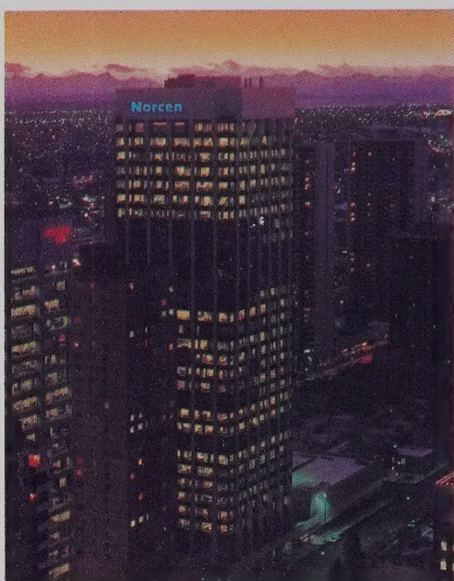


Canadian Rockies form a background for Norcen Tower, Calgary.

Norcen Energy Resources Limited is a 92.1% Canadian owned integrated energy resource company engaged in the exploration, production and transportation of oil, natural gas and coal in Canada and in the search for hydrocarbons in other areas of the world. Through subsidiaries, Norcen operates natural gas distribution systems in Quebec, Ontario, Manitoba, Alberta and British Columbia.

Distribution of Common Shares

December 31, 1977

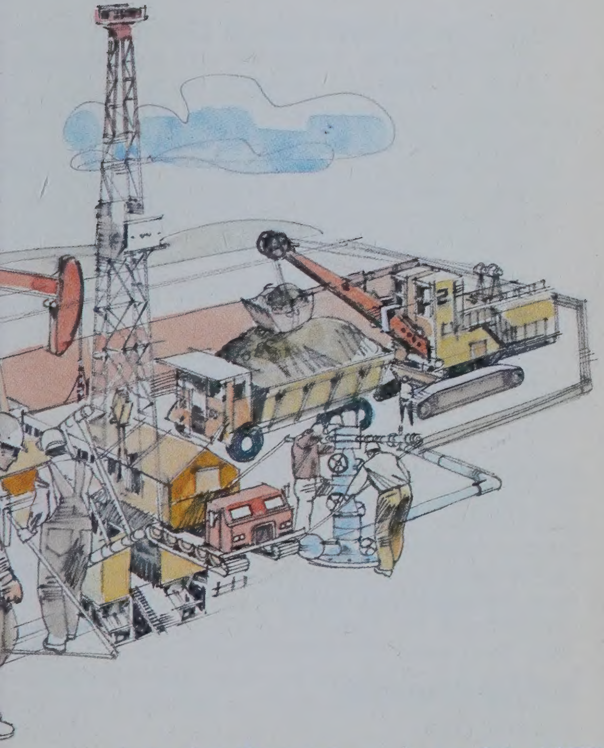
	Shareholders		*Shares*	
	No.	*%*	*No.*	*%*
Alberta	3,131	9.61	1,287,184	5.66
British Columbia	4,323	13.27	1,526,602	6.72
Manitoba	1,432	4.40	1,879,194	8.27
New Brunswick	419	1.29	105,802	0.47
Newfoundland	85	0.26	38,783	0.17
Nova Scotia	775	2.38	359,819	1.58
Ontario	12,857	39.47	10,323,580	45.43
Prince Edward Island	102	0.31	24,483	0.11
Quebec	3,311	10.16	5,224,067	22.99
Saskatchewan	754	2.31	158,854	0.70
Other Canadian	20	0.06	3,470	0.00
Total Canadian	27,209	83.52	20,931,838	92.10
U.S.A.	5,166	15.86	1,509,231	6.64
Foreign	203	0.62	285,214	1.26
	32,578	100.00	22,726,283	100.00

Contents

Annual Meeting

The Annual and Special Meeting of Shareholders will be held at the Commerce Hall, Commerce Court West, King and Bay Streets, Toronto, Ontario, on Wednesday, April 12, 1978, at 10:00 a.m. local time.

Norcen



Interim Report — June 30, 1977

Norcen
Energy Resources Limited

Six Months' Earnings

Net income applicable to common shares for the six months ended June 30, 1977 was $21,698,000 compared with $20,946,000 for the same period in 1976. Earnings per common share were $1.08 in 1977 and $1.07 in 1976. Weighted average number of common shares outstanding increased from 19,496,528 a year ago to 20,013,467 in 1977, as a result of the conversion of convertible preference shares (21,340,434 common shares were outstanding as at June 30, 1977). Sales and other revenues were up from $322,176,000 in 1976 to $370,042,000 in 1977.

The favourable earnings trend experienced in the first quarter of 1977 and expected to continue over the remainder of the year was not maintained in the second quarter for the following reasons:

— Gaz Métropolitain's loss of $2,014,000 in the second quarter compared with a budgeted profit of $396,000, primarily because the Quebec regulatory authorities did not grant full recovery of a July 1976 cost of gas increase. In addition, coke revenues and gas sales were lower than anticipated due to a combination of economic conditions and warmer than normal weather;

— deteriorating mining conditions, both underground and surface, at Coleman Collieries which resulted in a loss of $1,498,000 in the second quarter compared with a budgeted loss of $530,000.

Notwithstanding higher earnings from oil and gas operations and the gas utilities in Manitoba and Ontario, the previously mentioned negative factors resulted in a reduction of consolidated net income for the second quarter to $2,237,000 from $4,369,000 in 1976.

Natural Resources

Oil and Gas

Higher wellhead prices for crude oil and natural gas, together with increased rates of crude oil

production, resulted in higher earnings of the oil and gas operations from $10,959,000 in 1976 to $13,615,000 in 1977. Gross production of crude oil and natural gas liquids rose from 23,000 barrels per day in 1976 to 24,000 barrels per day in 1977. Gross daily production of natural gas was 180.4 million cubic feet, about the same as for the similar period in 1976.

On July 1, 1977 the wellhead price of crude oil was increased by $1 to $10.75 per barrel and it was announced that the price will rise by $1 per barrel at six month intervals until a price of $13.75 per barrel is reached on January 1, 1979. Also announced were increases in the price of natural gas at the Toronto city gate, which are equivalent to increases at the wellhead of approximately 15 cents per thousand cubic feet on August 1, 1977 and February 1, 1978.

Exploration

During the first six months of 1977, Norcen participated in the drilling of 50 exploratory wells and 36 development wells. Exploratory drilling resulted in 11 gas and 3 oil completions, while development drilling resulted in 17 gas and 12 oil completions. Of the exploratory wells, oil and gas completions in southern and north-central Alberta appear to have the greatest potential.

In the Arctic, drilling has commenced at Dome Gulf et al Ukalerk C-50 which is the second well in the Beaufort Sea on acreage farmed-out by Norcen. The first well, located 7 miles west of the current test, encountered 7 feet of gas bearing sand at a depth of approximately 10,000 feet. Norcen's interest in both wells is 8.2%.

An agreement has been signed with the Seychelles government which grants Norcen and its partners the exploration rights in 4,062,000 gross acres offshore the Seychelles Islands in the Indian Ocean. No prior oil or gas exploration has been conducted in this area. Norcen's interest in this exploration prospect is 20%.

Gas was discovered at Bregat No. 1, located on holdings in which Norcen has an 18.2% interest

in the Gulf of Gabes, offshore Tunisia. The well flowed dry gas with a substantial content of carbon dioxide and hydrogen sulfide, at a rate exceeding 30 million cubic feet a day from a depth below 7,000 feet. Additional evaluation is required to determine whether further drilling is warranted.

Coal

As previously mentioned, results at Coleman Collieries were substantially below last year's level. Contribution to consolidated net income for the first six months of 1977 was a loss of $1,978,000 compared with income of $23,000 in 1976. Clean coal production was 494,000 short tons, about the same as a year ago.

Feasibility studies recently completed on the Tent Mountain area indicate that present marketing conditions and projected rates of production do not justify commitment of financial resources for expanded production in the immediate future.

Agreements recently negotiated with the Japanese steel mills provide for the sale of 800,000 long clean tons in the contract year ending March 31, 1978, and 1,000,000 long tons in each of the following two contract years. The price f.o.b. Vancouver is $56.07 per long ton for the contract year ending March 31, 1978 with additional increases in each of the second and third contract years.

Gas Utilities

Gas sales volumes were 139.3 billion cubic feet, compared with 135.4 billion cubic feet in the first half of 1976. While extremely cold weather was experienced in eastern Canada in the first quarter of the year, the weather across the companies' gas distribution system in the first half year was 6% warmer than last year and 7% warmer than normal. Contribution to consolidated net income was $11,938,000 compared with $11,975,000 in 1976.

Discontinuance of LaSalle Coke Operations

As a result of recommendations from consultants and management's own assessment, Gaz Métropolitain's Board of Directors decided in May 1977 to discontinue operations at the LaSalle plant for safety and economic reasons. This plant was originally built in the 1920's to manufacture gas for distribution in Montreal. When delivery of natural gas from western Canada started in 1958, the plant was converted to the primary production of foundry coke. Gaz Métropolitain has applied to the Quebec Electricity and Gas Board for the recovery, under existing legislation, of the net residual book value of the LaSalle plant of approximately $10 million, and of the loss in revenue therefrom, in cost of service of its gas distribution operations. Accordingly, no terminal loss on discontinuance of the operation is being recognized at this time.

Frontier Gas Pipeline

In order to ensure longer term continuity of gas supply, Norcen, through Northern and Central Gas Corporation, supported the Canadian Arctic Gas Pipeline Limited project, as being the most economic for Canada of the several competing applications. The National Energy Board has recently recommended against the application and a final decision by the federal cabinet is expected shortly. As at June 1977, Norcen's investment in the project totalled $7.3 million. Management is presently discussing with ministers of the federal and provincial governments the fact that without the research represented by the Arctic Gas expenditures it would have been most difficult for the National Energy Board to have reached its decision and that therefore it would seem only just and reasonable that some method be found to include Norcen's and other Canadian companies' investments in the cost of bringing Canadian frontier gas to market. Unless federal and provincial authorities give fair consideration to this matter the company may have to write off this investment some time in the future.

(continued on page 9)

COMPARATIVE STATEMENT OF INCOME (Unaudited)

(thousands of dollars)

Revenues

Sales and other revenues

Costs and expenses

Gas purchases

Production, operations and maintenance

Depreciation and depletion

Interest — long-term debt

— other

Income taxes — current

— deferred

Minority interests in subsidiaries

Income before extraordinary items

Extraordinary items

Gain on sale of shares of subsidiaries and other companies

Abandonment of gas distribution facilities

Write-down of investment

Other

Consolidated net income

Dividends on preference shares

Net income applicable to common shares

Earnings per common share

Before extraordinary items

Including extraordinary items

Fully diluted earnings per common share

Before extraordinary items

Including extraordinary items

6 Months Ended June 30 1977	6 Months Ended June 30 1976	12 Months Ended June 30 1977	12 Months Ended June 30 1976
$370,042	$322,176	$675,763	$562,282
209,901	172,712	387,967	293,378
75,787	68,798	143,020	126,026
20,704	20,449	40,045	37,945
21,581	13,701	42,241	28,766
1,968	9,843	4,019	16,068
13,926	10,201	17,478	16,339
1,732	1,211	1,516	2,161
868	2,304	2,063	3,930
346,467	299,219	638,349	524,613
23,575	22,957	37,414	37,669
		3,887	
		(485)	
		(321)	(6,667)
			144
23,575	22,957	40,495	31,146
1,877	2,011	3,835	4,059
$ 21,698	$ 20,946	$ 36,660	$ 27,087
$ 1.08	$ 1.07	$ 1.70	$ 1.73
$ 1.08	$ 1.07	$ 1.85	$ 1.39
$ .98	$ .92	$ 1.63	$ 1.53
$ .98	$ .92	$ 1.78	$ 1.27

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)

(thousands of dollars)

Source of funds

Operations

Consolidated net income ....

Charges not requiring funds ....

Issue of long-term debt ....

Reclassification of current income taxes to deferred ....

Application of funds

Expenditures on properties, plant and equipment, net ....

Reduction in demand bank credits, net ....

Reduction in term bank credits, net ....

Retirement of long-term debt ....

Dividends — common shares ....

— preference shares ....

— minority shareholders of subsidiaries ....

Investments ....

Redemption of preference shares ....

Deferred charges and other, net ....

Increase (decrease) in funds ....

Funds at beginning of period ....

Funds at end of period ....

Summary of funds

Current assets ....

Current liabilities, excluding demand bank credits ....

Funds at end of period ....

	6 Months Ended June 30 1977	1976
....	$ 23,575	$ 22,957
....	24,772	25,636
	48,347	48,593
....		44,591
....		1,044
	48,347	94,228
....	26,965	22,216
....	16,598	15,090
....	250	31,139
....	12,586	11,387
....	7,100	6,628
....	1,877	2,011
....	1,104	1,109
....	679	1,096
....	566	141
....	1,456	2,075
	69,181	92,892
....	(20,834)	1,336
....	27,666	8,900
....	$ 6,832	$ 10,236
....	$106,453	$106,843
....	99,621	96,607
....	$ 6,832	$ 10,236

CONTRIBUTION TO CONSOLIDATED NET INCOME (Unaudited)

(thousands of dollars)

Natural resources	
Oil and gas production	
Coal	
Gas utilities	
Northern and Central Gas	
Gaz Métropolitain	
Greater Winnipeg Gas	
Other	
Total gas utilities	
Consolidated net income	

Outlook

As noted in this report, there have been some set-backs to the anticipated results for the year 1977. However, discussions with government and regulatory authorities in Quebec could result in an improvement in Gaz Métropolitain's earnings for the year. Oil and gas production operations are expected to continue their current favourable trend. Utility operations in Ontario and Manitoba, while subject to economic conditions, weather and competitive fuel prices, could show earnings improvement over last year.

Edmund C. Bovey
Chairman

Edward G. Battle
President

August 5, 1977

6 Months Ended June 30 1977	6 Months Ended June 30 1976	3 Months Ended June 30 1977	3 Months Ended June 30 1976
$13,615	$10,959	$5,796	$4,345
(1,978)	23	(1,498)	(63)
4,504	1,435	(496)	(845)
2,417	6,581	(2,014)	396
4,874	3,809	517	594
143	150	(68)	(58)
11,938	11,975	(2,061)	87
$23,575	$22,957	$2,237	$4,369

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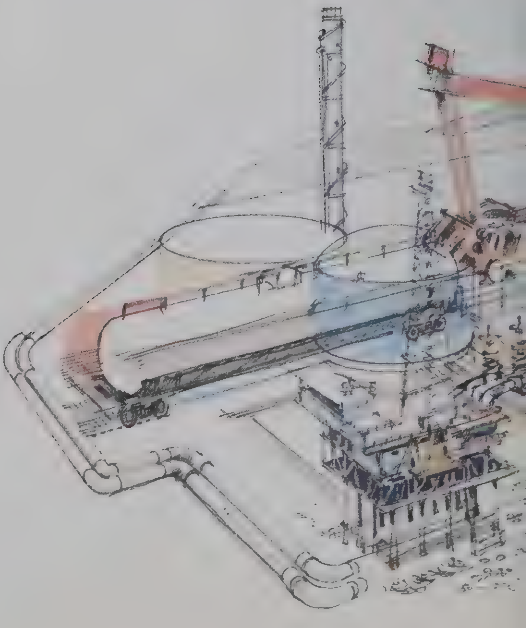


Highlights

Norcen
Energy Resources Limited

Financial

(thousands of dollars, except per share figures)		*1977*	*1976*	*Percentage Increase / (Decrease)*
Sales and other revenues*		$646,578	$559,345	15.6
	Oil and gas	154,022	134,265	14.7
	Gas utilities	492,556	425,080	15.9
Cash flow from operations*		$ 78,302	$ 73,467	6.6
	Oil and gas	53,284	44,032	21.0
	Gas utilities	25,018	29,435	(15.0)
Income contributions*		$ 35,060	$ 34,923	0.4
	Oil and gas	27,866	24,189	15.2
	Gas utilities	7,194	10,734	(33.0)
Income applicable to common shares*		$ 32,277	$ 30,954	4.3
	Per common share*	$ 1.52	$ 1.58	(3.8)
Income (loss) applicable to common shares**		$(2,185)	$ 35,908	
	Per common share**	$(0.10)	$ 1.84	

* from continuing operations and before extraordinary items
** including discontinued operations and extraordinary items

Operating

			1977	1976	Percentage Increase / (Decrease)
Oil and gas production	Oil and gas liquids	bbls/day	23,700	23,300	1.7
	Natural gas	MMcf/day	162	166	(2.4)
Oil and gas reserves	Oil and gas liquids	Mbbls	109,813	118,161	(7.1)
	Natural gas	MMcf	1,016,213	1,075,365	(5.6)
Gas utilities sales		Bcf	255	253	0.8

Common share market information

1977	*High*	*Low*	*Close*	*Shares Outstanding (000's)*	*Shares Traded (000's)*	*Dividend Paid*
First quarter	$11⅞	$10½	$11⅜	19,715	673	$0.18
Second quarter	12⅛	10⅞	12⅛	21,340	1,072	0.18
Third quarter	13¾	11⅜	13⅝	22,684	2,776	0.18
Fourth quarter	19⅛	13¼	19	22,726	8,546	0.18
Year	19⅛	10½	19	22,726	13,067	0.72
1976	$13¾	$ 9¾	$11⅞	19,646	3,680	$0.68

Common shares and options on common shares are listed for trading on the Toronto and Montreal Stock Exchanges.

Report to the Shareholders

Results for the year 1977 reflect the growing importance to Norcen of the income contribution from oil and gas operations.

Increasing wellhead prices for crude oil and natural gas production provided higher cash flows for greater exploration activity, which in turn on an industry-wide basis has resulted in oil discoveries, has augmented natural gas reserves and improved the potential gas supply for the utilities. Oil and gas operations and the gas utilities in Manitoba and Ontario achieved good earnings gains in 1977, while Quebec utility earnings were sharply down because of less than full recovery of gas cost increases and the loss of revenues resulting from the discontinuance of coke operations. Economic conditions and the lower value of the Canadian dollar also affected earnings for Norcen, which, while not up to expectations, demonstrate the importance of diversification within the energy industry that your Company has achieved.

Following detailed studies it was decided for safety and economic reasons to close down the LaSalle coke plant in Montreal and the gas distribution system in Sherbrooke. Further, Coleman Collieries reached agreement with its Japanese customers providing for prices and quantities of coal to be delivered to March 31, 1980 at which date coal reserves from existing mines will be fully depleted. No plans exist to extend Coleman's operations beyond 1980, although the economics of ongoing operations will continue to be evaluated. It was also decided to write-off the investment in Canadian Arctic Gas Study Limited. Since full provision has been made in 1977 for these discontinued activities and since they will no longer be included in Norcen's earnings, we are reporting results for 1977 and 1976 both with and without the effect of these decisions.

Earnings

For the year ended December 31, 1977 income applicable to common shares from continuing operations and before extraordinary items was $32,277,000 or $1.52 per share, compared with $30,954,000 or $1.58 per share the previous year.

Including discontinued operations and extraordinary items, the loss applicable to common shares in 1977 was $2,185,000 or $0.10 per share, compared with income of $35,908,000 or $1.84 per share in 1976.

The average number of common shares outstanding during 1977 was 21,255,000 an increase from 19,554,000 in 1976 resulting largely from conversion of convertible preference shares.

Sales and other revenues increased from $559,345,000 to $646,578,000 in 1977.

Oil and gas

In the 1976 annual report we referred to the reduction in taxes and royalties on oil and gas revenues resulting from the agreement reached by the Federal and Alberta governments, and the improved industry cash flow available for exploration and development. The beneficial effect of this accord became very evident in 1977 when an all time record in exploration activity was achieved by Norcen and the industry as a whole. New natural gas discoveries have significantly added to Canadian reserves and the gas supply situation has changed from a potential shortage to a surplus.

Greater exploration and development activity by Norcen in 1977 was evidenced by the participation in the drilling of 227 wells resulting in 44 oil and 101 gas well completions. This level of activity will be increased further in 1978 with $57 million being allocated for exploration and development, an increase of 50% over the $38.2 million expended during 1977.

Oil discoveries in the West Pembina area of Alberta have resulted in large expenditures for exploratory acreage and intensive geophysical and drilling activity by the industry, including Norcen. Results made public to date are limited due to confidentiality and the early stage of exploration. The potential of this western central Alberta area is by no means established at this time. The Pembina-Barrhead map in this report shows land holdings in which Norcen owns an interest. The Company is one of the largest acreage holders in this area with interests in 278,400 gross acres equivalent to 164,250 net acres.

Gas utilities

In 1977, the regulatory department of Northern and Central Gas Corporation was strengthened with the appointment of a Vice-President, Regulatory Affairs. The department recognizes the importance of the regulatory process and its primary purposes, which are to establish and maintain fair and reasonable rates for natural gas, provide an adequate return on capital employed and ensure the maintenance of a safe and expanding service to the community. Rate hearings to establish new rate bases and rates of return are now in progress in Ontario and Quebec.

Finance

In December, Northern and Central sold in a public offering in Canada $35 million of 7.85% non-voting cumulative redeemable preference shares, the proceeds from which were applied to reduce short-term borrowings of gas utilities. Over 3 million Norcen common shares were issued on conversion of preference shares and exercise of warrants.

During the year, the combined volume of Norcen common stock traded on the Toronto and Montreal Exchanges was more than 13 million shares. To our many

Edmund C. Bovey   Edward G. Battle

new shareholders, welcome. To those of you who have been shareholders in the past, your continuing support and encouragement is appreciated.

Litigation
The decision of the Supreme Court of Canada late in the year, regarding the CIGOL (Norcen) litigation with the Government of Saskatchewan, confirmed the Company's position regarding federal/provincial rights under the British North America Act. The decision means that Norcen can recover taxes and royalties previously paid. However, shareholders should realize that the Saskatchewan government received assent to new legislation retroactive to January 1, 1974 which could affect any amounts received by Norcen. Pending final disposition, no recognition has been given this matter in the Company's financial statements.

In appreciation
To Dr. C. Spencer Clark and Edward A. Galvin, two founders of the Company who have recently retired, we express on behalf of the directors and shareholders our sincere appreciation for their contributions to Norcen's success. Both Mr. Galvin and Dr. Clark have made important contributions to the Canadian energy industry and have served with distinction as officers and directors of the corporation since its inception. We are pleased that they will continue as directors and play an active role in the affairs of the Company. It is most appropriate also to acknowledge the extra effort and the important contributions made by our employees in the exploration, production, coal mining and utility operations during the year.

Outlook
Increasing revenues from oil and natural gas will produce higher earnings in 1978. New oil discoveries in Alberta provide the potential for important additions to the Company's reserves and revenues. Improvements in rates of return should provide the gas utilities with a better level of earnings in 1978, while improvement in the gas supply situation should allow an expansion within Norcen's gas utility operations.

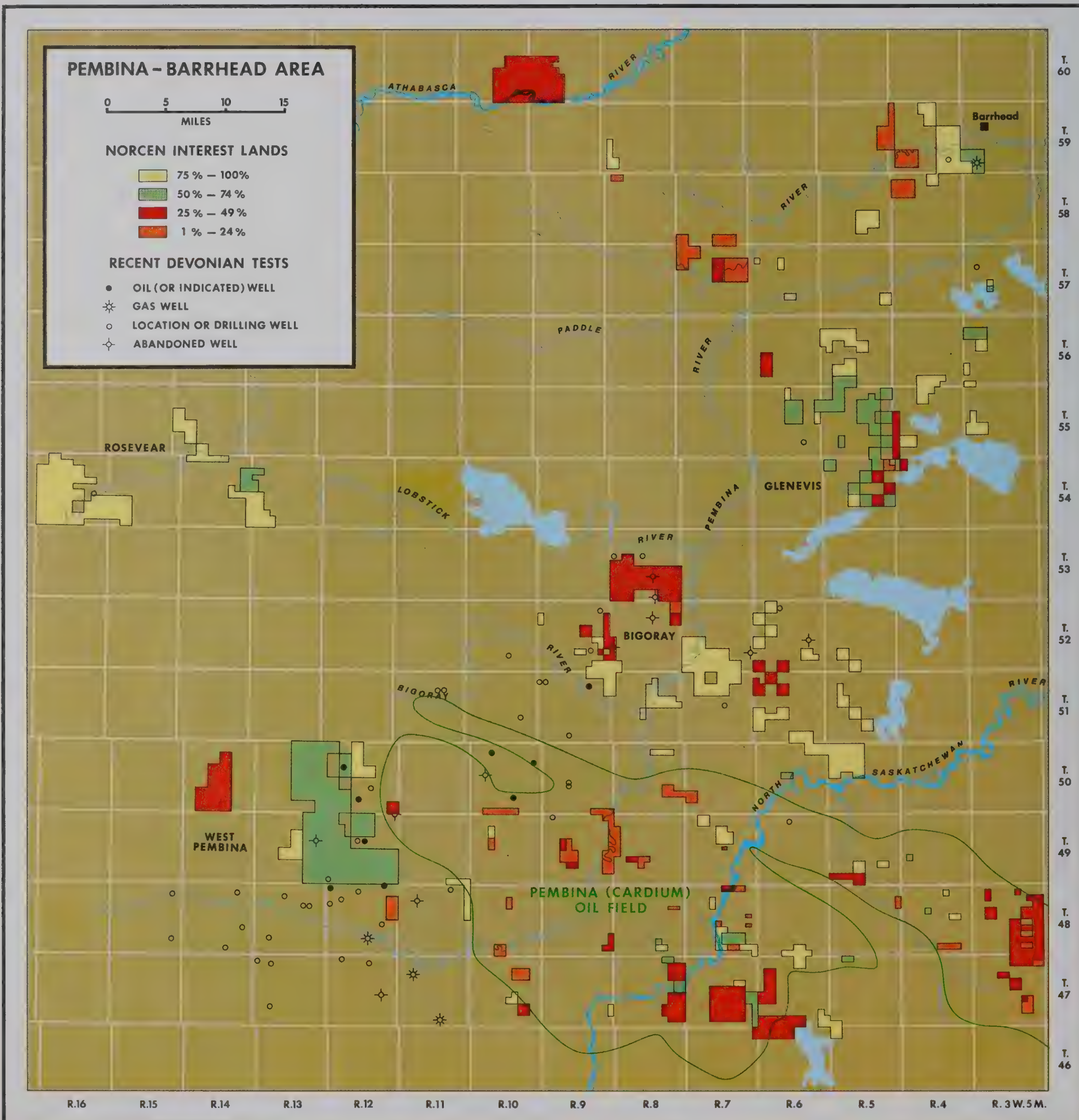
On behalf of the Board

Edmund C. Bovey
Chairman

Edward G. Battle
President

February 21, 1978.

Natural Resources Division



The activities of the Natural Resources Division were expanded in 1977 with capital expenditures totalling $38.2 million, a 50% increase over the preceding year, and 1978 will be even more active with capital expenditures budgeted at $57 million. The 1977 expenditures were as follows:

	(millions of dollars)
Oil and gas exploration:	
– Canadian	$21.0
– International	4.1
Oil and gas development	10.8
Minerals and coal	0.9
Other	1.4
	$38.2

Donald D. Barkwell, Vice-President, Natural Resources, with Richard S. Buckland, General Manager Canadian Exploration, in the Company's map room, Calgary.

EXPLORATION

Canada

Total expenditures,including minerals, primarily in Alberta amounted to $22 million, an increase of $10 million over 1976. In addition other companies spent an estimated $6 million on Company acreage under farmout arrangements.

Norcen participated in the drilling of 107 exploratory wells, 40 of which were discoveries or extensions to existing fields. Drilling activity was almost double that of 1976.

Canadian Exploratory Wells

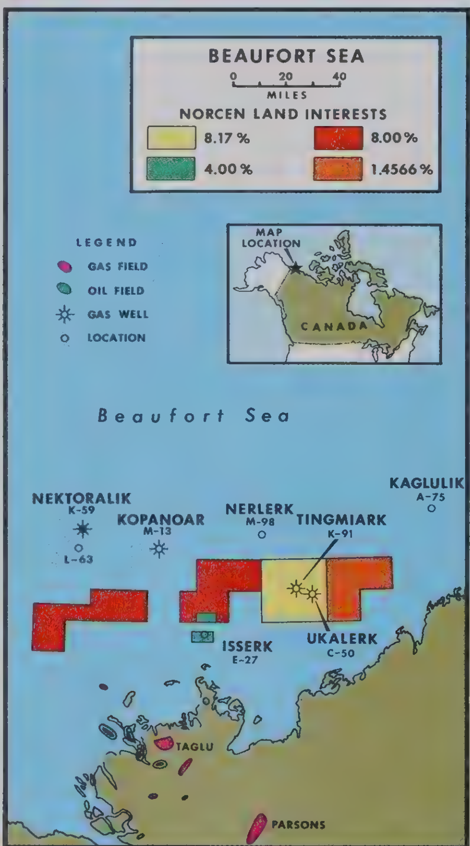
	1977		*1976*	
	Gross	*Net*	*Gross*	*Net*
Oil	11	5.7	4	1.4
Gas	29	9.8	22	7.3
Dry	67	29.2	31	12.7
	107	44.7	57	21.4

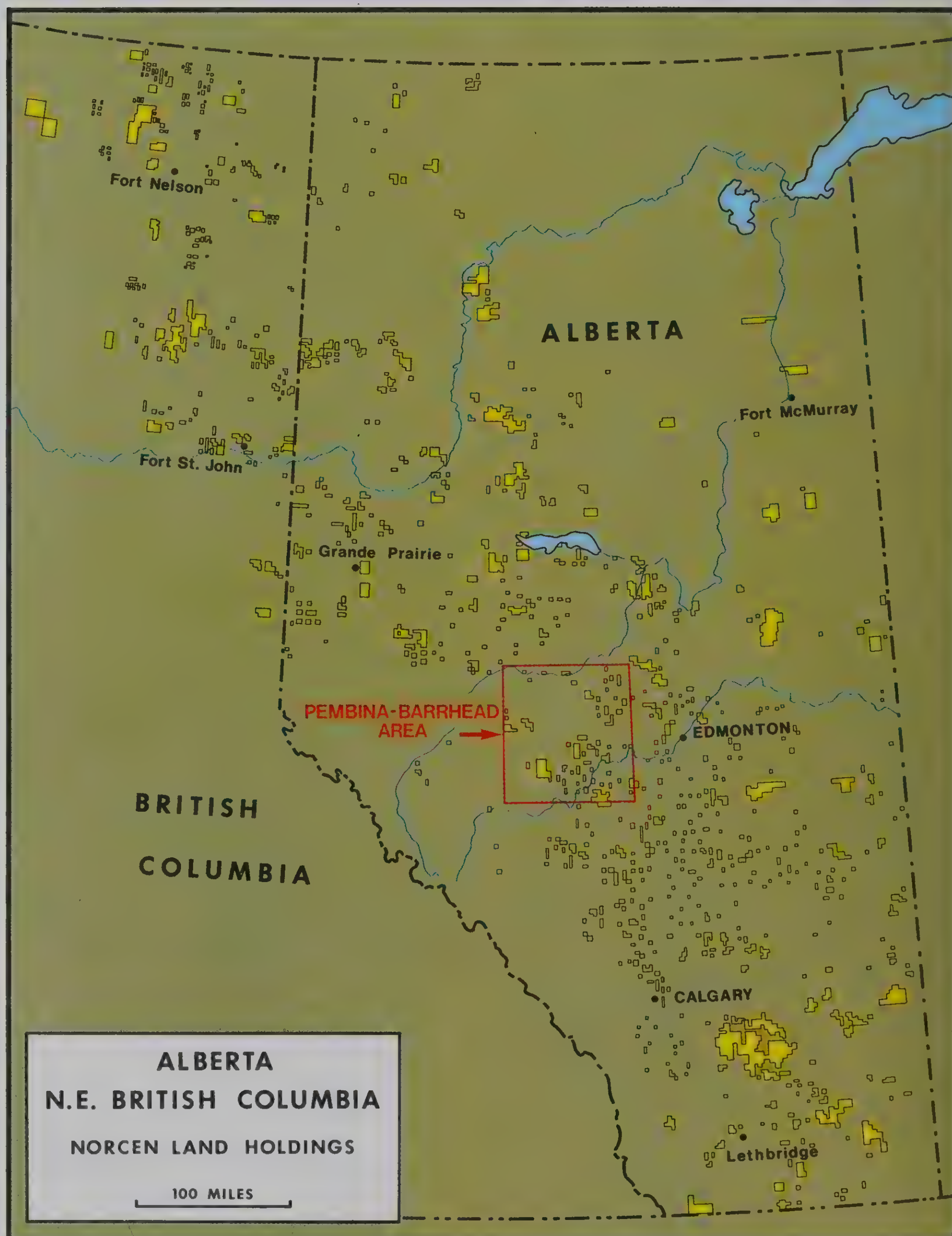
Exploration was conducted over the Company's extensive acreage holdings with emphasis in southern Alberta, the general Pembina area of west central Alberta, the Big Bend area 50 miles north of Edmonton and in the Golden-Cadotte Seal area of Northern Alberta.

In the Pembina area, oil has been discovered in the Devonian (Nisku) formation at a depth several thousand feet below the Cardium formation which has produced for the past 24 years. The Pembina-Barrhead map in this report shows the land holdings in which Norcen has interests, with an average interest of 59% in 278,400 acres. Approximately 37,000 gross acres were purchased in 1977 at Crown Sales with the balance being acquired prior to the new discoveries. Detailed results of activities in this area during 1977 and early 1978 have not been released. Information gained from the wells drilled on Company acreage will assist in the planning of seismic and drilling programs during 1978.

Canadian Frontier

In the Arctic Islands and Beaufort Sea, the Company has interests in approximately 9.4 million gross acres. Current activity includes the drilling of a well on the south shore of Ellef Ringnes Island as a directional hole to test a large offshore seismic structure and a well preparing to drill west of the Hecla gas field. The latter well is the first of a two well com-





mitment by a multi-company group which will earn the group a 50% interest in over 1 million acres presently owned 100% by Norcen. In addition, the Company is presently participating in the drilling of a well on a man-made island in the Beaufort Sea. Also in the Beaufort Sea a highly prolific gas well, Dome et al Ukalerk C-50, was drilled at no cost to the Company on acreage in which it has an 8.17% interest.

International

In 1977 the Company participated in three exploratory wells, one offshore Oman and two offshore Tunisia. One of the Tunisian wells, although testing gas at high flow rates, is unlikely to prove commercial. A 10% interest in a 2 million acre onshore Dehibat permit has been acquired and a test well is scheduled in 1978.

Norcen is participating in the drilling of a 10,000 foot well located offshore northwest Australia and by paying 25% of the cost of this well will earn an interest in a 2.5 million acre permit. In Italy an offshore well in which the Company will own 50% will be drilled in the spring of 1978, 20 miles north of the Santa Maria oil field.

Other activities include the completion of reconnaissance seismic on the 4 million acre Seychelles permit in the Indian Ocean with detailed seismic planned for 1978 and the commencement

Oil and Gas Land Holdings
December 31, 1977

	Leases		*Reservations, Permits, Concessions and Licenses*		*Total*	
	Gross Acres	*Net Acres*	*Gross Acres*	*Net Acres*	*Gross Acres*	*Net Acres*
Canada						
Alberta	3,916,000	1,760,000	837,000	463,000	4,753,000	2,223,000
British Columbia	895,000	142,000	588,000	203,000	1,483,000	345,000
Saskatchewan	164,000	78,000	47,000	47,000	211,000	125,000
Manitoba	75,000	22,000			75,000	22,000
Ontario			2,000	2,000	2,000	2,000
Canadian Frontier						
Arctic Islands	561,000	252,000	5,999,000	2,321,000	6,560,000	2,573,000
Beaufort Sea			2,858,000	570,000	2,858,000	570,000
Yukon Territory			1,620,000	648,000	1,620,000	648,000
Northwest Territories			226,000	35,000	226,000	35,000
Offshore East Coast			679,000	237,000	679,000	237,000
	5,611,000	2,254,000	12,856,000	4,526,000	18,467,000	6,780,000
International						
United States	17,000	1,000			17,000	1,000
North Sea (U.K.)	171,000	27,000			171,000	27,000
Adriatic Sea			20,000	10,000	20,000	10,000
Oman	3,855,000	1,144,000			3,855,000	1,144,000
Seychelles	4,062,000	813,000			4,062,000	813,000
Tunisia			1,949,000	552,000	1,949,000	552,000
	8,105,000	1,985,000	1,969,000	562,000	10,074,000	2,547,000
	13,716,000	4,239,000	14,825,000	5,088,000	28,541,000	9,327,000

In addition to the above, royalty interests are held in 1,037,000 gross acres and net carried interests in 456,000 gross (25,000 net) acres.

of seismic surveys on the Company's 5th Round blocks in the U.K. Sector of the North Sea.

Minerals
Exploration for uranium and base metals continued during 1977 in British Columbia, Alberta, Ontario, Quebec, New Brunswick, Nova Scotia and the Northwest Territories. The Company is manager and operator of a four company consortium exploring for uranium in Canada. Expenditures for minerals exploration in 1977 totalled $904,000 with $1.5 million budgeted for 1978, mainly for uranium exploration.

Land Holdings
At year-end, oil and gas land holdings totalled 6,780,000 net acres in Canada and 2,547,000 net acres in international areas. The Company also owns 238,000 net acres of mineral rights and 59,000 net acres of coal rights.

DEVELOPMENT AND PRODUCTION

Development
During the year, the Company participated in 117 development wells resulting in 72 gas and 33 oil wells. Expenditures of

approximately $6.4 million were made to maintain revenues from existing oil and gas fields and a further $4.4 million to develop reserves not previously connected to market.

Development Wells

	1977		*1976*	
	Gross	*Net*	*Gross*	*Net*
Oil	33	14.2	22	6.4
Gas	72	22.1	63	18.4
Dry	12	4.2	14	3.9
	117	40.5	99	28.7

A new gas processing plant operated by the Company in the Flatbush Field of central Alberta commenced reporting gas production in metric units, the first step of a program to convert all operations to the metric system by January 1, 1979.

Heavy Oil
All nine production-injection wells at the Company's Primrose experimental insitu recovery project at Cold Lake have been steam stimulated with some resultant oil production. Company engineers are continuing to research ways of improving overall performance.

Natural Resources Division

Crude oil, synthetic crude oil and gas liquids production
(Barrels per day before royalties)

	1977	1976
Alberta		
Countess Lathom	3,655	2,560
Pembina	3,436	3,600
Golden	1,312	1,201
Swan Hills	877	947
Joarcam	729	725
Harmattan	627	602
Simonette	597	574
Bigoray	503	405
Hamilton Lake	467	553
Drumheller	361	329
Others	3,550	3,723
Synthetic Crude	1,123	1,680
Gas Liquids	3,386	3,409
	20,623	20,308
Saskatchewan		
Weyburn	512	502
Others	1,252	1,208
Royalty Interests	655	488
	2,419	2,198
British Columbia		
Peejay	407	488
Others	242	299
	649	787
	23,691	23,293

Natural gas production
(MMcf per day before royalties)

	1977	1976
Alberta		
Minnehik	22.8	24.1
Westlock	19.5	20.4
Harmattan	12.3	11.7
Crossfield	6.7	7.8
Calgary	6.4	6.7
Fort Saskatchewan	6.1	7.2
Nevis	5.2	5.7
Bindloss	4.8	5.8
Bruce	4.0	5.5
Others	65.3	63.1
	153.1	158.0
British Columbia		
Jedney – Bubbles – East Laprise	8.3	6.8
Others	.9	1.0
	9.2	7.8
	162.3	165.8

Drilling rig (upper) and seismic operations – Bigoray Area, Alberta.

Production

Crude Oil, Synthetic Oil and Gas Liquids

Average daily production before royalties was 23,700 barrels in 1977 compared to 23,300 in 1976. The slight improvement was due to higher demand for medium to heavy gravity crude oils which offset natural declines in older fields.

The price of western Canadian crude oil increased $1.00 per barrel on July 1, 1977 and January 1, 1978, bringing the current price to $11.75 per barrel. The average price received by the Company for crude oil production in 1977 was $9.78 per barrel compared to $8.20 in 1976.

Natural Gas

Gas sales before royalties averaged 162 MMcf per day compared with 166 MMcf per day in 1976. The decrease was due to reduction in demand,

lower sales to the Company's industrial gas system and normal declines in older fields.

Alberta border prices for natural gas increased on August 1, 1977 and February 1, 1978. Producers now receive an average of $1.60 per Mcf. The average price received by the Company for gas sold in 1977 was $1.11 compared with 86¢ per Mcf in the preceding year.

Reserves
Norcen's reserves of crude oil, synthetic crude oil and gas liquids, before royalties, at December 31, 1977 were estimated at 109.8 million barrels compared with 118.2 million barrels at the end of 1976. Reserves of natural gas, before royalties, were estimated at 1,016.2 billion cubic feet compared to 1,075.4 billion cubic feet a year ago.

These figures do not include the Company's share of reserves of natural gas in the Arctic Islands, Beaufort Sea and the North Sea, and the Cold Lake heavy oil reserves in Alberta.

Oil Gathering and Transmission
The Company's oil gathering and transmission systems transported an average of 80,500 barrels per day compared with 83,000 barrels per day in 1976. Proven and probable reserves supporting these systems are estimated at 704 million barrels.

Drilling crew at work – Deep Valley, Alberta.

Gas Gathering and Transmission
The average daily throughput of the industrial gas system in the Edmonton area was 65 MMcf per day in 1977 down from 76 MMcf for the previous year. The decrease was due to the natural decline in productivity and the termination of a sales contract. Approximately 45% of the gas for the system is produced from Company wells with the balance being purchased.

Liquefied Petroleum Gas
Sales of LP gas were 112 million Imperial gallons, a decrease of 11 million gallons from the previous year. The reduction in sales was due to the sale of a U.S. subsidiary in 1976. The Alberta Public Utilities Board removed price controls for distributor sales July 1, 1977 and producer price controls are to be removed April 1, 1978.

Coal
The Company's coal production was 929,500 clean short tons in 1977 compared to 1,053,000 tons in 1976.

The feasibility study initiated in 1976 for a major expansion at Tent Mountain was completed during the first half of this year. Although exploration work defined considerable new coal reserves, current market conditions and projected low clean coal yields do not support the substantial investment required to commence a large scale development at this time.

Negotiations concluded by Coleman in the third quarter of 1977 resulted in an agreement to terminate the present sales contract with the Japanese steel mills on March 31, 1980.

Gas Utilities Division

OPERATIONS

Total revenue in the Gas Utilities Division increased to $493 million or 15.9% from $425 million in 1976 due mainly to higher rates resulting from increased gas costs of 10¢ per Mcf on January 1, 1977 and 17¢ per Mcf on August 1, 1977. Although the weather was 8% warmer than the previous year, volumes of gas sold increased to 255 Bcf from 253 Bcf in 1976 as a result of increased sales to industrial customers. The number of customers in 1977 was 423,342 compared to 424,621 in 1976.

Capital expenditures in 1977 for expansion and improvement of distribution systems were $26.3 million compared to $24 million the preceding year and are budgeted at $28 million in 1978.

Jacques Beauchamp, President, Gaz Métropolitain, inc. and Jean-J. Leroux, President, Northern and Central Gas Corporation Limited, visit the Montreal Olympic Vélodrome, a Gaz Métropolitain customer.

Phillip O. Petursson, Vice-President, Operations and Austin P. Rathke, President, Greater Winnipeg Gas Company, at the propane liquefaction computer controls of the company's peak shaving plant, Winnipeg.

REGULATION

Interim increases in gas rates in 1977 for increased gas costs were approved by the regulatory boards of Quebec, Ontario and Manitoba.

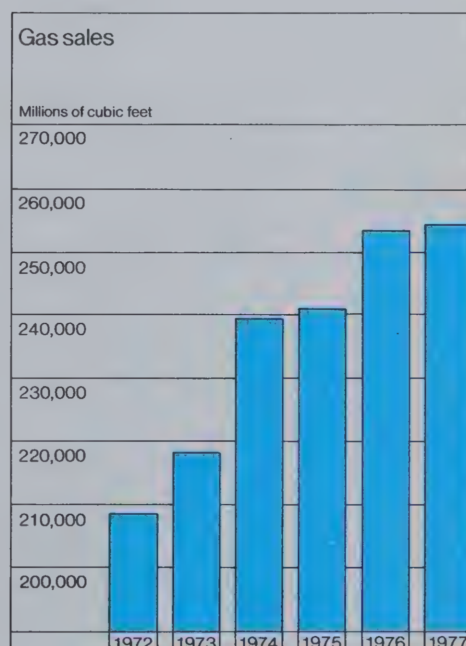
Greater Winnipeg Gas Company obtained a new allowable rate of return of 10.29% on an updated rate base.

In November 1977, Northern and Central Gas applied to the Ontario Energy Board for approval of an allowable rate of return of 10.91% on a 1977 rate base. The Ontario Board on February 17, 1978, as a result of a separate interim application, approved additional revenues of $4.8 million on an annual basis, effective February 13, and at the same time approved the full pass through of increased gas costs.

An application has been filed by Gaz Métropolitain, inc. with the Electricity and Gas Board of Quebec for a 10.41% rate of return. On February 17, following an interim application, the Board authorized a full pass through of increased gas costs and $4.1 million of additional revenues on an annual basis to apply in 1978.

GAS SUPPLY

Gas supply continues to improve as higher prices stimulate exploration and development activity in western Canada. Increases in natural gas reserves enable the Company's gas utility operations to meet current demands and to provide for adequate supplies of expansion requirements into the next decade. In 1977 the total contracted gas supply was 873 MMcf per day compared to 847 MMcf per day in 1976.



Gas processing plant storage tanks.

Financial Review

Sales and other revenues
In 1977 sales and other revenues increased 15.6% to $646,578,000 from $559,345,000 a year ago.

Gas utilities sales volumes were about the same as in 1976, and higher revenues were principally the result of higher rates to recover the increased cost of purchased gas amounting to $63,673,000.

Production levels in 1977 were about the same as in the previous year, and higher revenues from the oil and gas operations were primarily the result of increased wellhead prices.

Income from continuing operations before extraordinary items
Income from continuing operations before extraordinary items increased in the oil and gas operations and declined in the gas utilities, as shown in the table.

The gas utilities in Ontario and Manitoba made income gains in 1977 but these were more than offset by lower earnings for Gaz Métropolitain.

After payment of preference share dividends of $2,783,000 ($3,969,000 in 1976) net income applicable to common shares from continuing operations and before extraordinary items was $32,277,000 ($1.52 per share) compared with $30,954,000 ($1.58 per share) in 1976.

Discontinuance of certain operations
Full provision has been made in Norcen's accounts to reflect the effect of decisions to close down the LaSalle coke plant in 1977 and to discontinue present operations at Coleman Collieries in 1980. Since these activities will no longer be included in Norcen's income, their results are shown separately in the income statement as a net loss in 1977 of $2,057,000 (10¢ per share) and net income in 1976 of $1,873,000 (10¢ per share).

Natural gas processing plant – Harmattan, Alberta.

Sales and other revenues	1977		1976	
(thousands of dollars)	$	%	$	%
Oil and gas production	154,022	23.8	134,265	24.0
Gas utilities	492,556	76.2	425,080	76.0
	646,578	100.0	559,345	100.0

Income from continuing operations	1977		1976	
(thousands of dollars)	$	%	$	%
Oil and gas production	27,866	79.5	24,189	69.3
Gas utilities	7,194	20.5	10,734	30.7
	35,060	100.0	34,923	100.0

Net capital expenditures (thousands of dollars)	1977	1976
Oil and gas		
Canada	$30,477	$18,164
Foreign	3,845	4,624
	34,322	22,788
Gas utilities		
Quebec	14,670	14,652
Ontario	5,870	5,773
Manitoba	5,297	3,432
Other	436	360
	26,273	24,217
	$60,595	$47,005

Extraordinary items
In addition to the extraordinary charges resulting from decisions to discontinue certain operations referred to above, Norcen wrote off its investment in Canadian Arctic Gas Study Limited and provided for the close down in 1978 of the gas distribution system in Sherbrooke, Quebec.

Loss applicable to common shares, including discontinued operations and extraordinary items, was $2,185,000 (10¢ per share) compared with income in 1976 of $35,908,000 ($1.84 per share).

Return on equity
Before extraordinary items return on average preference and common shareholders' equity was 13.9% compared with 15.7% last year. Return on common shareholders' equity was 15.6% in 1977 and 19.5% in 1976.

Capital expenditures
Expenditures on properties, plant and equipment, after deducting contributions from gas utility customers, drilling and seismic incentives and property retirements, were $60,595,000 in 1977 compared with $47,005,000 a year ago. Capital expenditures for 1978 are budgeted at $85 million: $57 million for oil and gas exploration and development and $28 million for the gas utilities.

Financing and capital changes
During 1977, 877,246 first preference shares, series B and 760,286 junior preference shares, first series were converted by their holders into 2,886,507 common shares for an aggregate consideration of $40.9 million.

Share purchase warrants entitling the holders to purchase common shares at $14 per share were exercised in respect of 175,501 shares in 1977. Warrants to purchase 623,824 common shares at $14 per share expired without having been exercised.

At year-end there were 22,726,283 common shares outstanding compared with 19,645,718 a year ago.

In December 1977 Northern and Central Gas sold through a public offering in Canada $35 million 7.85% cumulative redeemable second preference shares, series A. Proceeds from this issue were applied to reduce short-term borrowings of the gas utilities.

Quarterly earnings per common share*

	1977	1976
First quarter	$1.05	$0.88
Second quarter	0.13	0.14
Third quarter	(0.19)	(0.05)
Fourth quarter	0.61	0.61
Year	$1.52**	$1.58

*from continuing operations and before extraordinary items
**see Note 16 to the consolidated financial statements

Financial Statements

Accounting Policies

Years ended December 31, 1977 and 1976

Audit Committee Members (L. to R.) Raymond Lavoie, Adam H. Zimmerman and Richey B. Love, Chairman, with Timothy G. Sheeres, Vice-President, Finance.

The principal accounting policies followed by Norcen and its subsidiaries are summarized here to facilitate a review of the consolidated financial statements contained in this report.

Principles of consolidation
The consolidated financial statements include the accounts of Norcen and all of its subsidiaries including Coleman Collieries Limited, an 80% owned subsidiary, which has been accounted for by the equity method for the reasons set out in Note 2(a) to the consolidated financial statements. All inter-company transactions have been eliminated. Norcen's principal operations are oil and gas exploration, development and production. The consolidated subsidiaries' operations are organized into two types of business which, together with the principal companies involved and percentage ownership by Norcen, are as follows:

Natural resources	%
Great Plains Development Company of Canada, Ltd.	100
Prairie Oil Royalties Company, Ltd.	74
Norcen Pipelines Ltd.	99
Cigas Products Ltd.	100
Gas utilities	
Northern and Central Gas Corporation Limited	100
Gaz Métropolitain, inc.	82
Greater Winnipeg Gas Company	99
Columbia Natural Gas Limited	99

The excess of acquisition costs over underlying value of net assets at date of purchase in respect of natural resource subsidiaries has been included in property costs and is being systematically charged to income in a manner similar to the particular property costs.

The excess costs in respect of gas utility subsidiaries are shown as "Intangible assets arising from acquisitions". In the Company's opinion no diminution in value of this item has occurred and accordingly these assets are not being amortized.

Foreign exchange
Amounts in foreign currency have been translated to Canadian dollars on the following bases: current assets and current liabilities, at the rate of exchange as at the balance sheet date; properties, plant and equipment and related depreciation, at the rate of exchange at the date of acquisition; long-term debt, at the rate of exchange at the date the obligation was incurred; sales and other revenues and costs and expenses, at the average rate of exchange for the respective year.

Properties, plant and equipment
Natural resources
Oil and gas properties include all expenditures related to the exploration and development of oil and gas reserves, whether or not potentially productive, together with the excess of acquisition cost over underlying value of net assets at date of purchase. These costs are depleted on the composite unit-of-production method, based on total estimated recoverable reserves.

Oil and gas production equipment and related facilities are depreciated over their estimated useful service life on the straight-line method at various rates, the application of which is equivalent to a composite rate of approximately 5.67% (5.76% in 1976).

Gas utilities
Depreciation is provided on the straight-line method at rates approved by regulatory authorities. The application of such rates is equivalent to a composite rate of approximately 2.75% (2.83% in 1976).

Deferred charges
Costs of issuing long-term debt are deferred in the year incurred and amortized against income over the term of the applicable issue.

Gas utility companies defer, in the year incurred, certain expenses which the regulatory authorities require or permit to be recovered from future revenues; such charges are being amortized over various time periods, not in excess of 20 years.

Income taxes
Natural resources
The companies follow the tax allocation method of accounting whereby provisions for income tax are based on the income reported in the accounts. This method results in the provision of deferred income taxes to the extent that taxes currently payable have been reduced by claiming depletion and depreciation for income tax purposes in amounts in excess of those reported in the accounts.

Gas utilities
The companies' rates and revenues, established for regulatory purposes, include recovery of only such income taxes as are currently payable. Accordingly, the companies provide for income taxes on this basis and do not provide for income taxes which may be payable in future years as a result of current differences in timing of deductions, principally in respect of depreciation and amortization, for financial reporting and income tax purposes. Such income taxes not provided and not recovered in revenues amounted, before applicable minority interests, to $4,900,000 in 1977, $9,400,000 in 1976 and $76,800,000 in total to December 31, 1977.

Earnings per common share
Earnings per common share have been calculated using the weighted monthly average number of common shares outstanding during the year (21,255,000 in 1977; 19,554,000 in 1976). Fully diluted earnings per common share assumes the conversion of preference shares and convertible notes and the exercise of share options and warrants.


Gas well – Swalwell, Alberta.

Consolidated Balance Sheet

As at December 31, 1977 and 1976

(thousands of dollars)

ASSETS

		1977	1976 Note 2(a)
Current assets	Cash and deposits	$ 11,011	$ 14,909
	Accounts receivable and unbilled gas	92,618	86,393
	Inventories (Note 3)	25,346	36,249
	Prepayments, advances and deposits	4,378	3,004
	Total current assets	133,353	140,555
Investments (Note 4)		10,534	30,298
Properties, plant and equipment (Note 5)		702,476	696,642
Deferred charges (Note 6)		32,227	18,118
Intangible assets arising from acquisitions, at cost		35,820	35,820
		$914,410	$921,433

Approved by the Board,

C. G. Battle

Director

Director

LIABILITIES

		1977	1976 Note 2(a)
Current liabilities	Accounts payable	$ 80,256	$ 76,730
	Accrued interest	9,706	10,141
	Income and other taxes	4,191	2,926
	Current maturities on long-term debt	25,282	20,121
	Current liabilities, excluding demand bank credits	119,435	109,918
	Demand bank credits (Note 7)	36,971	49,630
	Total current liabilities	156,406	159,548
Long-term debt (Note 8)		408,778	439,682
Provision for future costs on discontinued operations (Note 9)		9,712	
	Total liabilities	574,896	599,230
Deferred income taxes		42,514	42,157
Minority interests in subsidiaries		68,043	34,595

SHAREHOLDERS' EQUITY

			1977	1976
Capital stock (Note 10)	Authorized			
	1,300,000	First preference shares issuable in series		
	4,000,000	Junior preference shares issuable in series		
	50,000,000	Common shares		
	Issued			
		First preference shares		
	3,108	$1.06 cumulative, series A (3,383 in 1976)	78	85
	228,261	$1.50 cumulative, series B (1,122,507 in 1976)	5,706	28,063
		Junior preference shares		
	684,933	$1.50 cumulative convertible, first series (1,445,219 in 1976)	17,123	36,130
	22,726,283	Common shares (19,645,718 in 1976)	137,672	94,042
Retained earnings (Note 14)			68,378	87,131
	Total shareholders' equity		228,957	245,451
			$914,410	$921,433

Consolidated Statement of Income

Years ended December 31, 1977 and 1976

(thousands of dollars)

		1977	1976 Note 2
Sales and other revenues	Natural resources	$154,022	$134,265
	Gas utilities	492,556	425,080
		646,578	559,345
Costs and expenses	Gas purchases	414,875	350,723
	Production, operations and maintenance	89,850	79,964
	Depreciation and depletion	34,507	32,164
	Interest – long-term debt	42,039	32,764
	– other	3,526	11,096
	Income taxes – current	20,744	13,753
	– deferred	4,116	889
	Minority interests in subsidiaries	1,861	3,069
		611,518	524,422
Income from continuing operations		35,060	34,923
Share of earnings (loss) of discontinued operations before extraordinary items (Note 2)			
	Coleman Collieries Limited	(2,454)	362
	Coke operations	397	1,511
Income before extraordinary items		33,003	36,796
Extraordinary items (Note 11)		(32,405)	3,081
Consolidated net income		$ 598	$ 39,877
Dividends on preference shares		$ 2,783	$ 3,969
Income (loss) applicable to common shares			
	From continuing operations before extraordinary items	$ 32,277	$ 30,954
	Including discontinued operations and extraordinary items	$(2,185)	$ 35,908
Earnings (loss) per common share			
	From continuing operations before extraordinary items		
	Basic	$ 1.52	$ 1.58
	Fully diluted	$ 1.46	$ 1.43
	Including discontinued operations and extraordinary items		
	Basic	$(0.10)	$ 1.84
	Fully diluted	$(0.10)	$ 1.63

Consolidated Statement of Retained Earnings

Years ended December 31, 1977 and 1976

(thousands of dollars)

	1977	1976
Balance at beginning of year	$ 87,131	$ 64,975
Consolidated net income	598	39,877
	87,729	104,852
Dividends		
Preference shares – Series A	4	4
– Series B	1,203	1,752
– Junior	1,576	2,213
Common shares	15,084	13,305
Preference share issue expense of a subsidiary company	1,286	
Other	198	447
	19,351	17,721
Balance at end of year	$ 68,378	$ 87,131

Auditors' Report

To the Shareholders of Norcen Energy Resources Limited

We have examined the consolidated balance sheet of Norcen Energy Resources Limited as at December 31, 1977 and 1976 and the consolidated statements of income, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1977 and 1976 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Canada
February 3, 1978

Thorne Riddell & Co.
Chartered Accountants

Consolidated Statement of Changes in Financial Position

Years ended December 31, 1977 and 1976

(thousands of dollars)

		1977	1976 Note 2
Source of funds	From continuing operations		
	– natural resources	$ 53,284	$ 44,032
	– gas utilities	25,018	29,435
		78,302	73,467
	From discontinued operations	786	2,173
	Repayment of debentures by Coleman Collieries Limited	1,572	1,572
	Proceeds from disposal of investment in subsidiary and associated companies		9,465
	Issue of preference shares by a subsidiary company	33,714	
	Issue of long-term debt		158,144
		114,374	244,821
Application of funds	Expenditures on properties, plant and equipment, net		
	– natural resources	34,322	22,788
	– gas utilities	26,273	24,217
		60,595	47,005
	Reduction in demand bank credits, net	12,659	14,345
	Reduction in term bank credits, net		111,692
	Retirement of long-term debt	28,387	25,707
	Dividends – common shares	15,084	13,305
	– preference shares	2,783	3,969
	– minority shareholders of subsidiaries	1,662	2,215
	Redemption of preference shares	435	553
	Investments	1,049	2,072
	Shutdown of LaSalle coke plant	5,572	
	Abandonment of gas distribution facilities	1,132	
	Deferred charges	1,909	6,617
	Other, net	(174)	563
		131,093	228,043
Increase (decrease) in funds		(16,719)	16,778
Funds at beginning of year		30,637	13,859
Funds at end of year		$ 13,918	$ 30,637
Summary of funds	Current assets	$133,353	$140,555
	Current liabilities, excluding demand bank credits (Note 7)	119,435	109,918
	Funds at end of year	$ 13,918	$ 30,637

Notes to Consolidated Financial Statements

Years ended December 31, 1977 and 1976

(Tabular amounts are in thousands of dollars)

1. Accounting policies

The information on pages 14 and 15 presents a summary of the principal accounting policies and is an integral part of these financial statements.

2. Discontinued operations

(a) As at September 30, 1977, Coleman Collieries Limited made the decision to continue its operations to the end of its present long-term sales contracts on March 31, 1980 and to cease operations on that date. All costs anticipated to be incurred by Coleman and the Company on the discontinuance of Coleman's operations together with mining development costs incurred but not expected to be recovered from operations between October 1, 1977 and March 31, 1980, have been shown as an extraordinary item in the consolidated statement of income. The effect of recording this extraordinary item has been to write-off the equity investment in Coleman and to provide $8,048,000 as the Company's estimated loss as a result of guaranteeing the bank indebtedness of Coleman.

The projected results of operations of Coleman for the period October 1, 1977 to March 31, 1980 were considered in arriving at the amount of the extraordinary item. No further adjustment will be made in the accounts of the Company until March 31, 1980, unless economic circumstances dictate the requirement for an adjustment before that date.

The assets and liabilities of Coleman have not been included in the consolidated balance sheet of the Company as at December 31, 1977. Its results of operations for the nine months ended September 30, 1977 have been shown separately in the consolidated statement of income. The figures for 1976 previously included in the consolidated financial statements have been restated to conform with the 1977 presentation. Such restatement had no effect on consolidated net income or shareholders' equity.

In the three months ended December 31, 1977, Coleman incurred operating losses of $781,000, which losses have not been included in the accounts of the Company for the reasons stated above. A condensed balance sheet of Coleman as at December 31, 1977 and 1976 is as follows:

	1977	*1976*
Current assets	$ 5,473	$ 6,821
Mining assets	18,387	31,017
Other assets	2,619	641
	$26,479	$38,479
Bank loans*	$12,570	$ 9,005
Other current liabilities	10,403	9,404
Other liabilities	11,910	12,510
	34,883	30,919
Shareholders' equity (deficit)	(8,404)	7,560
	$26,479	$38,479

* The Company is contingently liable as guarantor of the bank indebtedness of Coleman to a maximum of $20,000,000.

(b) In May 1977 Gaz Métropolitain discontinued operations at its LaSalle coke plant. The book value of the plant together with estimated net costs incidental to discontinuance, less estimated realizable value of the land, have been reflected as deferred charges to the extent that the regulatory authority has approved recovery in future cost of service of the gas utility. The balance of such costs less deferred income taxes of $8,572,000 has been charged to income as an extraordinary item.

Coke operations for the six months ended June 30, 1977 have been shown separately in the consolidated statement of income. The figures for 1976 have been restated to conform to the 1977 presentation.

(c) Summarized operating results for Coleman and the coke operations are as follows:

	Coleman		*Coke Operations*	
	Nine months ended September 30, 1977	*Year ended December 31, 1976*	*Six months ended June 30, 1977*	*Year ended December 31, 1976*
Gross revenues	$ 37,482	$ 46,275	$ 9,671	$ 22,278
Costs, expenses and minority interest	39,936	45,913	9,274	20,767
Share of earnings (loss) before extraordinary items	$(2,454)	$ 362	$ 397	$ 1,511

3. Inventories

	1977	*1976*
Gas in storage	$16,586	$13,985
Materials and supplies	7,988	9,149
Coal and coke	772	13,115
	$25,346	$36,249

Gas in storage is carried at cost which includes transportation and storage. Other inventories are carried at the lower of cost, replacement cost, and net realizable value.

4. Investments

	1977	*1976*
Investment in Coleman Collieries Limited accounted for by the equity method (Note 2(a))		
– shares		$12,840
– debentures	$ 3,250	4,822
	3,250	17,662
Land held for resale, at estimated realizable value (Note 2(b))	1,802	
Other investments, at cost		
Canadian Arctic Gas Study Limited		6,295
Panarctic Oils Ltd.	1,815	1,643
Mortgages receivable	2,823	3,760
Other	844	938
	5,482	12,636
	$10,534	$30,298

5. Properties, plant and equipment

	1977 Cost	1977 Accumulated depreciation and depletion	1977 Net	1976 Net
Natural resources				
Properties	$305,110	$ 84,210	$220,900	$208,526
Production equipment	59,016	23,819	35,197	33,084
Pipelines and processing plants	30,403	23,200	7,203	7,163
Propane marketing equipment	16,386	6,533	9,853	10,591
	410,915	137,762	273,153	259,364
Gas utilities				
Gas storage	30,793	4,589	26,204	28,419
Gas distribution	427,474	61,769	365,705	350,952
Rental equipment	40,120	16,816	23,304	25,870
General and other plant	21,575	7,465	14,110	32,037
	519,962	90,639	429,323	437,278
	$930,877	$228,401	$702,476	$696,642

6. Deferred charges

	Basis or period of amortization	Net book value December 31, 1977	Net book value December 31, 1976
Natural resources			
Long-term debt issue expense	(a)	$ 2,576	$ 2,850
Gas utilities			
Long-term debt issue expense	(a)	6,290	6,980
Special gas costs	5 – 20 years	4,544	5,084
LaSalle coke plant (Note 2(b))			
– cost of plant	(b)	6,300	
– deferred income taxes	(c)	8,572	
Other		3,945	3,204
		29,651	15,268
		$32,227	$18,118

(a) amortized over term of applicable issue
(b) period of amortization to be determined by regulatory authority
(c) to be recovered out of future revenues, as approved by regulatory authority

7. Demand bank credits

The Company and its consolidated subsidiaries have the following obligations under established bank lines of credit of $89,750,000 at December 31, 1977:

	Average % rate of interest at December 31, 1977	*1977*	*1976*
Commercial paper	7⅜	$19,700	$21,600
Income debentures	5⅛	2,000	8,000
Bank loans – unsecured	8¼	15,271	20,030
		$36,971	$49,630

While demand bank credits are by their terms due within one year and therefore classified as current liabilities, the companies have in the past retired, and anticipate in the future retiring such obligations through the issue of long-term capital.

8. Long-term debt

	Due within one year	*1977*	*1976*
Natural resources			
5⅞ % first mortgage bonds, 1980	$ 1,327	$ 3,315	$ 4,642
9¾ % – 11¼ % secured debentures, 1983 – 1996		55,000	55,000
10¼ % – 11¼ % secured notes, 1988	6,644	72,924	78,710
Notes and purchase agreements	96	2,717	2,781
Convertible notes		1,839	2,037
	8,067	135,795	143,170
Gas utilities			
5½ % – 11⅜ % first mortgage bonds, 1978 – 1995	15,313	184,783	195,604
6% general mortgage bonds, 1988 – 1989	369	9,129	9,508
9⅝ % senior debentures, 1991		46,000	46,895
6% subordinated notes, 1987	425	4,088	6,935
5½ % – 11¼ % debentures, 1979 – 1991	1,438	54,595	58,011
	17,545	298,595	316,953
	$ 25,612	434,390	460,123
Deduct			
Long-term debt held for sinking fund purposes		330	320
Current maturities on long-term debt		25,282	20,121
		25,612	20,441
		$408,778	$439,682

Securities issued in U.S. funds are included above at their Canadian dollar equivalent ($138,907,000 in 1977 and $151,446,000 in 1976) at respective dates of issue except for current maturities which are translated at year-end rates. Translation of such issues at rates of exchange prevailing at year-end would result in an increase in long-term debt of $10,666,000 at December 31, 1977 and a reduction of $402,000 at December 31, 1976.

Convertible notes are payable to officers and employees, bear interest at bank prime lending rate plus ½ of 1% and are convertible into common shares from time to time to July 31, 1979 at a price of $12.32 per share.

Long-term debt maturities and sinking fund requirements for each of the four years subsequent to 1978 are as follows:

1979	$25,909,000	1981	$27,384,000
1980	$27,850,000	1982	$35,086,000

9. Provision for future costs on discontinued operations

Estimated loss resulting from guarantee of Coleman Collieries Limited bank indebtedness (Note 2(a))	$8,048
LaSalle coke plant closing costs excluding $595,000 included in current liabilities	1,664
	$9,712

10. Capital stock

Preference shares
First preference shares, series A and series B (redeemable at the Company's option at $27.50 and $26.50 per share respectively) have voting rights. Junior preference shares (redeemable at the Company's option at $26.25 per share) have voting rights and are convertible into 1,070,207 common shares to June 30, 1982.

During the year the Company purchased for redemption 275 first preference shares series A and 17,000 series B; 877,246 first preference shares series B and 760,286 junior preference shares were converted to common shares. The conversion privilege attached to first preference shares, series B, terminated on August 15, 1977.

Common shares
During the year common shares were issued as follows:

2,886,507	on the conversion of first preference shares and junior preference shares
175,501	on the exercise of warrants
4,879	on the conversion of convertible notes
1,986	on the exercise of incentive stock options
11,692	on the employee savings and investment plan
3,080,565	

Unissued common shares are reserved as follows:

1,070,207	for the conversion of junior preference shares
1,981	for the exercise of warrants at $15.00 per common share and expiring in 1978
648,824	for incentive stock option plan, of which options on 150,000 shares were outstanding at December 31, 1977, exercisable at a price of $11.375 expiring in 1982
149,161	for the conversion of convertible notes (Note 8)
188,308	for the employee savings and investment plan
2,058,481	

11. Extraordinary items

	1977	*1976*
Write-down of investment in Coleman Collieries Limited and provision for future costs on discontinuance (Note 2(a))	$(18,200)	
Write-down of the LaSalle coke plant and provision for costs of shutdown less deferred income taxes of $8,572,000 (Note 2(b))	(8,097)	
Write-off of investment in Canadian Arctic Gas Study Limited less income taxes of $3,760,000	(4,240)	
Gain on sale of shares of subsidiaries and other companies		$ 3,887
Abandonment of gas distribution facilities	(1,868)	(485)
Write-down of investment		(321)
	$(32,405)	$ 3,081

The above amounts are net of minority interests.

12. Earnings per common share

	1977 Basic	1977 Fully diluted	1976 Basic	1976 Fully diluted
From continuing operations	$1.52	$1.46	$1.58	$1.43
Before extraordinary items	$1.42	$1.37	$1.68	$1.50
Including discontinued operations and extraordinary items	$(0.10)	$(0.10)	$1.84	$1.63

13. Regulation

The Company and its subsidiaries are subject to the Anti-Inflation Act which provides for the restraint of increases in profit margins, prices, dividends and compensation.

Oil and gas production and gas utilities are exempt from the provisions of the Act relating to profit margins and prices since they are regulated by other government legislation.

Gas utility rates and revenues are established following public hearings before the respective provincial and federal regulatory authorities. From time to time, the authorities grant the companies provisional interim rate increases which may be subject to refund to customers depending upon the decision of the authority following a full public hearing.

14. Dividend restrictions

The indentures and agreements relating to the Company's long-term debt obligations do not limit the payment of dividends by the Company.

Limits on the payment of dividends by subsidiaries (primarily the gas utility subsidiaries) are contained in covenants in the indentures of such subsidiaries.

The Company and its subsidiaries are subject to the anti-inflation legislation (see Note 13) which, among other things, controls the level of dividends. Under the present legislation, the maximum dividend per common share which can be declared or paid during the year ended October 13, 1978 is 78¢.

15. Other information

Unfunded liabilities for past service pension benefits amounted to approximately $2,807,000 at December 31, 1977 and are being funded and expensed over a maximum period of 15 years.

Remuneration of directors and senior officers was $1,131,000 in 1977 and $1,058,000 in 1976.

16. Selected quarterly financial data (unaudited)

Net income (loss) per common share from continuing operations before extraordinary items:

For the three months ended:	As reported	Discontinued operations	Restated
March 31, 1977	$1.04	$(0.01)	$1.05
June 30, 1977	0.06	(0.07)	0.13
Sept. 30, 1977	(0.21)	(0.02)	(0.19)
Dec. 31, 1977	0.61		0.61
March 31, 1976	$0.90	$ 0.02	$0.88
June 30, 1976	0.17	0.03	0.14
Sept. 30, 1976	(0.06)	(0.01)	(0.05)
Dec. 31, 1976	0.67	0.06	0.61

As set out in Note 2, Coleman Collieries Limited made the decision as at September 30, 1977 to cease operations on termination of its present long-term sales contracts and Gaz Métropolitain decided in May 1977 to discontinue operations at the LaSalle coke plant. The quarterly data has been adjusted to exclude share of earnings (loss) of discontinued operations.

The sum of quarterly earnings per share for 1977 does not equal earnings per share for the year due to the effect on average outstanding shares of the conversion of first preference shares and junior preference shares referred to in Note 10.

17. Replacement cost data (unaudited)

Due to the impact of inflation, the replacement of existing properties, plant and equipment with equivalent productive capacity would require substantially greater capital investment than their historical cost. The higher capital investment would, in turn, give rise to higher depreciation charges to amortize such replacement cost.

To assist the reader in assessing the impact of inflation certain asset costs and accumulated depreciation thereon are set out below on both an historical cost and replacement cost basis. Natural resource properties and related production equipment are not stated on a replacement cost basis due to unique problems in determining appropriate estimates. Replacement cost of all other properties, plant and equipment has been based upon the hypothetical assumption that their entire productive capacity was replaced at the end of the fiscal year.

Replacement cost was generally determined by the use of price indices which are widely used and accepted in the particular lines of business. Where appropriate indices were not available engineering estimates and direct pricing were used. Accumulated depreciation on a replacement cost basis was developed from the historical relationship of such amounts to each asset category.

	1977		*1976*	
	Historic cost (Note 5)	*Replacement cost*	*Historic cost (Note 5)*	*Replacement cost*
Natural resources				
Pipelines and processing plants	$ 30,403	$ 80,738	$ 29,629	$ 75,017
Propane marketing equipment	16,386	27,276	16,414	26,062
	46,789	108,014	46,043	101,079
Accumulated depreciation thereon	29,733	72,595	28,289	66,719
	17,056	35,419	17,754	34,360
Gas utilities				
Gas storage	30,793	55,527	32,205	51,550
Gas distribution	427,474	931,467	408,605	863,486
Rental equipment	40,120	54,112	41,797	52,388
General and other plant	21,575	34,314	46,287	60,960
	519,962	1,075,420	528,894	1,028,384
Accumulated depreciation thereon	90,639	157,285	91,616	146,400
	429,323	918,135	437,278	881,984
Net value	$446,379	$953,554	$455,032	$916,344

Permitted rates, rates of return and revenues of the gas utilities are determined by the respective regulatory authorities by reference to historical cost of properties, plant and equipment and not on the basis of replacement cost. The replacement cost of such assets would be expected to be included for regulatory purposes only at such time as productive capacity is in fact replaced. Applying historical cost depreciation rates to replacement cost data, depreciation expense for the year would have increased by $13,531,000 ($11,191,000 in 1976).

Financial Summary 1972–77

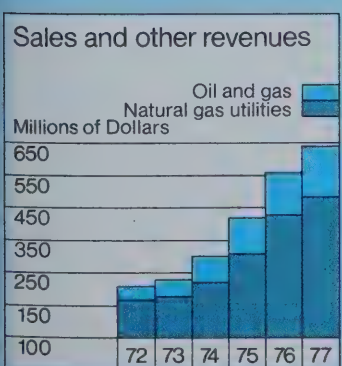
(thousands of dollars, except per share figures)

		1977	1976	1975	1974	1973	1972
Revenues	Natural resources	$154,022	$134,265	$120,590	$ 80,876	$ 58,964	$ 47,432
	Gas utilities	492,556	425,080	302,072	220,358	174,935	160,831
		646,578	559,345	422,662	301,234	233,899	208,263
Costs and expenses	Gas purchases, production and operations	504,725	430,687	302,745	210,213	159,354	141,766
	Depreciation and depletion	34,507	32,164	30,125	22,040	20,420	18,334
	Interest	45,565	43,860	38,099	27,822	25,351	23,664
	Income taxes	24,860	14,642	18,245	12,651	6,869	5,776
	Minority interests	1,861	3,069	2,515	2,863	2,235	2,025
		611,518	524,422	391,729	275,589	214,229	191,565
Income from continuing operations	Natural resources	27,866	24,189	21,512	13,067	10,226	6,541
	Gas utilities	7,194	10,734	9,421	12,578	9,444	10,157
		35,060	34,923	30,933	25,645	19,670	16,698
Share of earning (loss) of discontinued operations		(2,057)	1,873	2,046	2,973	403	202
Income before extraordinary items		33,003	36,796	32,979	28,618	20,073	16,900
Extraordinary items		(32,405)	3,081	(6,046)	(1,283)		
Consolidated net income		$ 598	$ 39,877	$ 26,933	$ 27,335	$ 20,073	$ 16,900
Dividends on preference shares		$ 2,783	$ 3,969	$ 4,108	$ 4,161	$ 4,207	$ 3,160
Weighted average number of common shares (000's)		21,255	19,554	19,397	19,391	19,276	19,060
Income applicable to common shares from continuing operations before extra-ordinary items		$ 32,277	$ 30,954	$ 26,825	$ 21,484	$ 15,463	$ 13,538
Per share	Basic	$ 1.52	$ 1.58	$ 1.38	$ 1.11	$ 0.80	$ 0.71
	Fully diluted	$ 1.46	$ 1.43	$ 1.28	$ 1.05	$ 0.80	$ 0.71
Income (loss) applicable to common shares including discontinued operations and extraordinary items		$(2,185)	$ 35,908	$ 22,825	$ 23,174	$ 15,866	$ 16,740
Per share	Basic	$(0.10)	$ 1.84	$ 1.18	$ 1.19	$ 0.82	$ 0.72
	Fully diluted	$(0.10)	$ 1.63	$ 1.10	$ 1.11	$ 0.82	$ 0.72

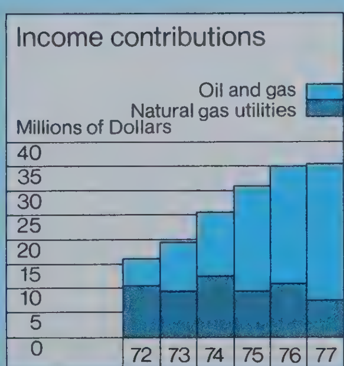
Operating Summary 1972–77

Norcen
Energy Resources Limited

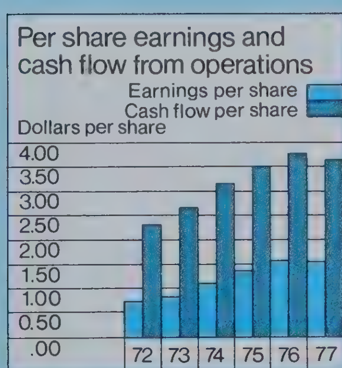
		1977	1976	1975	1974	1973	1972
Natural resources							
Production							
Crude oil, synthetic crude oil and gas liquids	bbls/day	23,700	23,300	25,800	17,100	16,700	11,600
Natural gas	MMcf/day	162	166	177	134	128	99
Sulphur	long tons	21,600	15,100	23,300	19,300	17,800	14,700
Gas gathering and transmission sales	MMcf/day	65	76	92	143	146	139
Oil gathering and transmission throughput	bbls/day	80,500	83,000	81,400	98,500	110,800	113,400
Liquefied petroleum gas sales	imp. gals (000's)	111,600	123,100	110,400	94,800	95,900	88,400
Reserves							
Oil and gas liquids	bbls (000's)	109,813	118,161	130,655	81,298	79,159	70,216
Natural gas	MMcf	1,016,213	1,075,365	1,152,830	746,910	773,528	582,200
Sulphur	long tons	498,008	519,565	543,643	305,700	252,000	227,000
Oil and gas land holdings	gross acres (000's)	29,902	29,128	31,590	30,038	23,381	20,066
	net acres (000's)	16,255	10,504	11,873	12,345	11,984	10,966
Gas utilities							
Gas sales	MMcf						
Industrial, firm		108,486	106,613	104,922	102,644	90,805	84,888
Industrial, interruptible		56,108	52,001	43,353	45,554	48,171	41,254
Commercial		41,207	42,148	43,133	42,200	33,847	33,623
Residential		48,887	52,526	49,619	49,242	45,359	48,499
		254,688	253,288	241,027	239,640	218,182	208,264
Customers at year-end		423,342	424,621	422,780	419,280	406,835	403,544



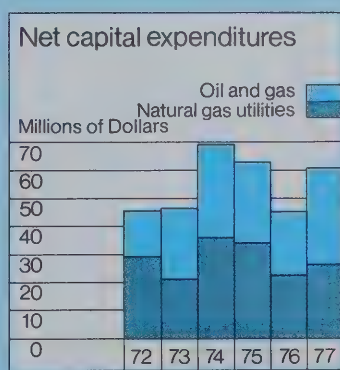
Sales and other revenues



Income contributions



Per share earnings and cash flow from operations



Net capital expenditures

Earnings Analysis 1976-1977

Natural Resources

(thousands of dollars)	1977 Oil and gas production	Oil gathering and transmission	Industrial gas system	Liquefied petroleum gas	Other	Total
Sales and other revenues (1)	$104,094	$ 4,838	$ 7,108	$ 37,252	$ 730	$154,022
Cost of gas			3,815	25,721		29,536
Operating expenses	17,389	1,201	949	7,377		26,916
Depreciation and depletion	19,136	354	380	1,031		20,901
	36,525	1,555	5,144	34,129		77,353
Operating income	$ 67,569	$ 3,283	$ 1,964	$ 3,123	$ 730	76,669
Administrative expenses						9,596
Interest (2)						16,654
Income taxes (3)						22,053
Minority interests						500
						48,803
Contribution to income						$ 27,866

Gas Utilities

(thousands of dollars)	1977 Ontario	Quebec	Manitoba	Other	Total
Gas sales	$207,630	$176,784	$ 86,767	$ 11,268	$482,449
Other revenues	4,206	3,634	2,267		10,107
	211,836	180,418	89,034	11,268	492,556
Cost of gas	179,479	133,014	63,951	8,895	385,339
Operating and administrative expenses	14,746	24,973	12,425	1,194	53,338
Depreciation	4,313	6,225	2,833	235	13,606
Income taxes	56		2,472	279	2,807
	198,594	164,212	81,681	10,603	455,090
Operating income	13,242	16,206	7,353	665	37,466
Interest (1)	10,157	14,451	3,972	331	28,911
Minority interests	383	969	9		1,361
Contribution to income	$ 2,702	$ 786	$ 3,372	$ 334	$ 7,194
Properties, plant and equipment, net, at year end	$144,731	$201,602	$ 74,745	$ 8,245	$429,323
Operating income as a percentage of properties, plant and equipment at year end	9.1%	8.0%	9.8%	8.1%	8.7%
Gas sales volumes (MMcf)	121,673	78,097	47,517	7,401	254,688
Degree day deficiencies – actual	5,284	4,531	5,540		
– normal	5,458	4,470	5,960		

Norcen
Energy Resources Limited

1976					
Oil and gas production	*Oil gathering and transmission*	*Industrial gas system*	*Liquefied petroleum gas*	*Other*	*Total*
$ 85,227	$ 4,973	$ 5,720	$ 37,341	$ 1,004	$134,265
		2,622	26,490		29,112
14,629	1,190	948	7,433		24,200
17,238	399	378	1,165		19,180
31,867	1,589	3,948	35,088		72,492
$ 53,360	$ 3,384	$ 1,772	$ 2,253	$ 1,004	61,773
					7,711
					15,415
					14,040
					418
					37,584
					$ 24,189

1976				
Ontario	*Quebec*	*Manitoba*	*Other*	*Total*
$177,078	$155,075	$ 72,759	$ 9,350	$414,262
4,701	3,860	2,257		10,818
181,779	158,935	75,016	9,350	425,080
150,957	108,908	54,699	7,102	321,666
13,032	22,340	11,545	1,081	47,998
4,368	5,586	2,798	232	12,984
40		456	106	602
168,397	136,834	69,498	8,521	383,250
13,382	22,101	5,518	829	41,830
10,898	13,127	4,063	357	28,445
386	2,261	4		2,651
$ 2,098	$ 6,713	$ 1,451	$ 472	$ 10,734
$143,693	$213,141	$ 72,345	$ 8,099	$437,278
9.3%	10.4%	7.6%	10.2%	9.6%
119,326	78,431	48,215	7,316	253,288
5,796	4,925	5,915		
5,448	4,454	5,960		

NOTES:

1. Natural Resources – Oil and gas production revenues

(thousands of dollars)	*1977*	*1976*
Crude oil	$ 51,134	$42,469
Natural gas liquids	7,394	6,328
Natural gas	45,287	36,226
Sulphur	279	204
	$104,094	$85,227

2. As part of the corporate reorganization on October 28, 1975, there was created an $82,960,000 7.6% promissory note payable by Norcen to Northern and Central Gas (of this amount $35,660,000 was repaid during 1976). Interest on the note amounting to $3,595,000 in 1977 ($4,992,000 in 1976) is not included in the above financial information. Interest expense shown for "Gas Utilities – Ontario" includes interest on all debt obligations of Northern and Central Gas after deducting interest income received on debt obligations of gas distribution subsidiaries in Quebec and Manitoba.

3. Income taxes – natural resources
A reconciliation between statutory and effective income taxes follows:

(thousands of dollars)	*1977*	*1976*
Tax based on combined federal/provincial statutory income tax rate	$21,282	$17,128
Federal resource allowance	(13,521)	(10,798)
Depletion allowance on Canadian oil and gas income	(4,493)	(3,622)
Provincial royalties and deemed income on oil and gas production less provincial tax credits and refunds	15,310	11,613
Excess of provincial income taxes over federal abatement	991	598
Timing differences in a subsidiary company	1,342	
Other items – net	1,142	(879)
Effective income taxes	$22,053	$14,040

Directors, Officers and Corporate Information

Norcen
Energy Resources Limited

DIRECTORS

***Edward G. Battle**
Toronto, Ontario
President, Norcen Energy Resources Limited

***Edmund C. Bovey, C.M.**
Toronto, Ontario
Chairman of the Board

***C. Spencer Clark, Ph.D.**
Seattle, Washington
Vice-Chairman of the Board

***E. Jacques Courtois, Q.C.**
Montreal, Quebec
Partner with Courtois, Clarkson, Parsons & Tetrault, Barristers & Solicitors

J. Ian Crookston
Toronto, Ontario
Deputy Chairman, Nesbitt Thomson and Company Limited

Robert Després
Quebec City, Quebec
President, l'Université du Québec

***Edward A. Galvin**
Calgary, Alberta
Vice-Chairman of the Board

***Frederick A. M. Huycke, Q.C.**
Toronto, Ontario
Partner with Osler, Hoskin & Harcourt, Barristers & Solicitors

†**Raymond Lavoie**
Montreal, Quebec
President and Chief Executive Officer, Credit Foncier Franco-Canadien

A. Searle Leach, O.C.
Winnipeg, Manitoba
Chairman
Federal Industries Ltd.

†**Richey B. Love, Q.C.**
Calgary, Alberta
Partner with Macleod Dixon Barristers & Solicitors

Blancke Noyes
New York, New York
Managing Director
Loab Rhoades, Hornblower & Co.

Linden J. Richards
Tucson, Arizona
Oil and Gas Consultant

Henry S. Romaine
New York, New York
Senior Vice-President and Chief Investment Officer
The Mutual Life Insurance Company of New York

William I. M. Turner, Jr.
Montreal, Quebec
President and Chief Executive Officer
Consolidated-Bathurst Limited

William O. Twaits, C.C.
Toronto, Ontario
Director of various companies

†***Adam H. Zimmerman**
Toronto, Ontario
Executive Vice-President and Director
Noranda Mines Limited

*Member of the Executive Committee
†Member of the Audit Committee

OFFICERS

Edmund C. Bovey
Chairman of the Board

C. Spencer Clark
Vice-Chairman of the Board

Edward A. Galvin
Vice-Chairman of the Board

Edward G. Battle
President

Donald D. Barkwell
Vice-President, Natural Resources

William C. Hennenfent
Vice-President, Planning

William T. Kilbourne
Vice-President, Legal and Secretary

Jean-J. Leroux
Vice-President, Utilities

Timothy G. Sheeres
Vice-President, Finance

Alick S. G. Duguid
Treasurer

Paul H. Palmer
Controller

Russell G. Rennie
Assistant Secretary

Laurence A. Sills
Assistant Secretary

A. Kenneth Davies
Assistant Treasurer

Mart Pedel
Assistant Treasurer

CORPORATE INFORMATION

Transfer Agents and Registrars

COMMON SHARES

National Trust Company, Limited
Calgary, Toronto, Montreal, Winnipeg & Vancouver

Canada Permanent Trust Company
Regina

Morgan Guaranty Trust Company of New York, New York

PREFERENCE SHARES (All Classes)

National Trust Company, Limited
Calgary, Toronto, Montreal, Winnipeg & Vancouver

Canada Permanent Trust Company
Regina

Trustees

5⅞% First Mortgage Bonds due Feb. 1, 1980
Canada Permanent Trust Company
Calgary

9¾% Secured Debentures due April 15, 1983
Montreal Trust Company
Toronto

10¼% Secured Notes due Dec. 31, 1988
The Royal Trust Company
Toronto

11¼% Secured Notes due Dec. 31, 1988
The Royal Trust Company
Toronto

11¼% Secured Debentures due Aug. 15, 1996
National Trust Company, Limited
Toronto

Auditors

Thorne Riddell & Co.,
Chartered Accountants

Listings and Symbols

Toronto and Montreal Stock Exchanges

Common Shares	NCN
First Preference A	NCNPrA
First Preference B	NCNPrB
Junior Preference	NCNPrC
Warrants	NCNWT

OFFICES

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Calgary, Alberta T2P 2X7

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London, England WC2H9DL

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Calgary, Alberta T2P 2X8

Coleman Collieries Limited
Coleman, Alberta T0K 0M0

Great Plains Development Company of Canada, Ltd.
Prairie Oil Royalties Company, Ltd.
Norcen Pipelines Ltd.
Norcen Tower
715-5th Avenue S.W.
Calgary, Alberta T2P 2X7

Northern and Central Gas Corporation Limited
245 Yorkland Boulevard
Willowdale, Ontario M2J 1R1

Gaz Métropolitain, inc.
1155 Dorchester Boulevard
Montreal, Quebec H3B 3S5

Greater Winnipeg Gas Company
265 Notre Dame Avenue
Winnipeg, Manitoba R3B 1N9

A copy of the Company's 10-K report as filed with the United States Securities and Exchange Commission will be sent to registered shareholders upon written request to the Company Secretary.

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